


Memorandum



Date: May 1, 2007

To: Honorable Carlos Alvarez
Mayor

From: George M. Burgess
County Manager 

Subject: Impacts of Property Tax Reform Proposals

As we have discussed, the impacts of the property tax reform proposals being considered in Tallahassee will be significant to Miami-Dade County. They cannot be achieved with across-the-board reductions and "belt-tightening" efforts. These measures will not come close to achieving the savings that must be identified to balance the tax-supported budgets if the measures proposed by the state are adopted. As we build the budget for FY 2007-08, our government will need to focus on elimination of entire programs in order to provide adequate funding to priority activities and services.

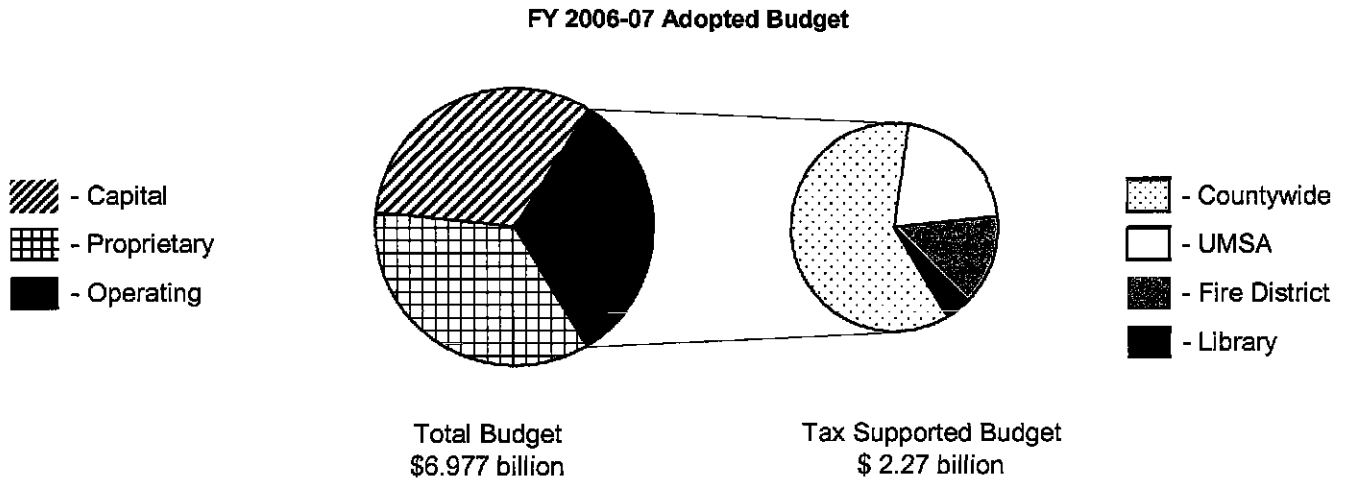
To illustrate the impact of the various proposals, a spectrum has been created from least impactful, being the original Senate version, to most impactful, being the original House version, with the Governor's compromise somewhere in the middle. On the chart below, you can see the fiscal impact of the rollback portion of each proposal. For each year, the calculations have been done for statutorily defined rollback, rollback adjusted for the Consumer Price Index (CPI), and rollback adjusted for the growth in per capital income (PCI). These figures have now been adjusted to include the fiscal impact of losing the growth that had been anticipated in the Five Year Plan which was the foundation we used to begin building the budget for FY 2007-08. This growth could have been used for enhanced services, improved reserves, or further millage reductions which would have provided tax relief at the local level.

	<i>House Proposal</i>			<i>Governor's Proposal</i>			<i>Senate Proposal</i>
	2001 Roll			2003 Roll			2007 Roll
	Rollback	+ CPI	+PCI	Rollback	+ CPI	+PCI	Rollback
Countywide	758,679,638	654,998,638	604,619,638	649,457,638	562,772,638	490,280,638	171,162,615
UMSA	100,443,176	84,819,176	77,230,176	92,851,176	80,864,176	70,838,176	24,732,265
Fire	203,778,481	173,097,481	158,187,481	187,889,481	164,228,481	144,440,481	47,696,859
Library	73,557,606	67,827,606	65,043,606	53,520,606	47,033,606	41,610,606	13,418,612
Total	\$1,136,458,902	\$980,742,902	\$905,080,902	\$983,718,902	\$854,898,902	\$747,169,902	\$257,010,351

In addition to the statutory adjustments limiting revenues to various rollback levels beginning in FY 2007-08, the proposals also include constitutional amendments allowing for portability, doubling the homestead exemption, providing for an exemption for tangible personal property, and income based assessment for affordable housing. Some of the fiscal impacts of those adjustments, which would become effective for FY 2008-09 are detailed below.

	\$50,000 Homestead Exemption	\$25,000 Tangible Personal Property Exemption	Full Portability
Countywide	\$61,370,164	\$6,503,222	\$10,153,235
UMSA	\$12,611,042	\$889,285	\$1,739,585
Fire	\$20,786,029	\$1,844,419	\$3,155,636
Library	\$4,386,227	\$466,138	\$740,533
Total	\$99,153,462	\$9,703,063	\$15,788,989

The figures below illustrate the significance of the funding reductions in comparison to the FY 2006-07 Adopted Budget.



FY 2006-07 Total Adopted Budget	\$6,977		
FY 2006-07 Capital Budget	<u>(2,245)</u>		
FY 2006-07 Operating Budget	4,732		
Proprietary Revenues, State/Federal funding, Grants	<u>(2,462)</u>		
Tax Supported - General Fund, Fire District and Library District	\$2,270		
		Countywide	\$1,382
		UMSA	480
		Fire District	319
		Library District	89

As you can see, the reductions must be taken from approximately one-third of the total adopted budget. Of this one-third, approximately half is budgeted for public safety activities including police, fire, juvenile services, medical examiner, animal services, and state-required support to the judicial system. Another 13 percent is made up of mandatory maintenance-of-effort payments for the Public Health Trust and Miami-Dade Transit. We must also fund juvenile detention costs and new court system-related expenses mandated by the state. What is left are direct services including road maintenance, traffic signs and signals, elections, social services, parks, libraries, and cultural programs, and internal support functions. For many of the services we provide, we are the provider of last resort for our residents. If local government does not provide for these needed functions, they simply will not be available to our community. Remember, even if these reductions are implemented, we will still have an organization with an annual operating budget of more than \$6 billion and at least 27,000 employees; an organization that will still require necessary internal support capability to purchase goods, support capital projects, pay vendors and employees, train our workforce, and recruit and support personnel services activities. Focusing the reductions that may total nearly \$800 million on these areas will be devastating to the strength of our organization.

The following table details the percentage reductions necessary to balance the property tax supported budgets at the different rollback proposals.

Reductions from Five Year Financial Outlook

	Countywide	%	UMSA	%	Fire	%	Library	%
Ad Valorem	\$1,286,405,000		\$180,983,000		\$361,519,000		\$100,899,000	
Other Revenue	\$292,663,000		\$349,101,000		\$47,108,000		\$6,083,000	
TOTAL FY 2007-08	\$1,579,068,000		\$530,084,000		\$408,627,000		\$106,982,000	
House Proposal	(\$654,998,638)	-41%	(\$84,819,176)	-16%	(\$173,097,481)	-42%	(\$67,827,606)	-63%
Governor's Proposal	(\$562,772,638)	-36%	(\$80,864,176)	-15%	(\$164,228,481)	-40%	(\$47,033,606)	-44%
Senate Proposal	(\$171,162,615)	-11%	(\$24,732,265)	-5%	(\$47,696,859)	-12%	(\$13,418,612)	-13%

In order to balance a budget with these ad valorem revenue reductions, significant service reductions will have to be implemented. Even with the Senate proposal, after the implementation of approximate \$60,000,000 of "efficiencies," which should be truly categorized as scaling back the needed support to direct service provision in order to hold service levels as even as possible, we have been considering the following reductions:

- closing certain facilities including the South Dade Animal Clinic and the Mobile Animal Clinic, the Corrections and Rehabilitation Training and Treatment Center, Boot Camp, and North Dade facilities, the Team Metro Melrose Office and Government on the Go buses, and the South Dade Government Center Tax Collector office;
- reducing hours at libraries and closing certain library facilities;
- redeploying planned fire and rescue units;
- reducing overtime for targeted crime investigation and prevention in the Miami-Dade Police Department;
- reducing or eliminating security services at Neighborhood Centers and other County facilities including the Stephen P. Clark Center;
- reducing hours at the Medical Examiner's Office;
- eliminating staff necessary to support juvenile diversion programs;
- eliminating the bus stop litter program and corridor and hot spot litter programs;
- eliminating park programming and significantly reducing park facility maintenance;
- reducing maintenance cycles for roads and medians and funding for traffic signs and signal replacement;
- significantly reducing capital funding for asset maintenance;
- reducing hours at the 311 Answer Center and eliminating service on the weekends;
- eliminating funding to community-based organizations, including cultural programs, and the provision of in-kind services for special events;
- significantly reducing staff support to County Advisory Boards;
- reducing funding to both the Commission on Ethics and Public Trust and the Office of the Inspector General;
- eliminating auditor positions;
- reducing internal support functions including budget monitoring and development, strategic planning and management, finance, and human resources;
- reducing funding to the Executive Offices, the County Attorney, and the Board of County Commissioners.

As I mentioned in the report I issued last week, we will be forced to re-evaluate our capital expansion plans contained in the Building Better Communities Bond Program – a program supported by the electorate for facilities so important they were willing pay increased taxes. Even with these reductions, we still have not come close to identifying the savings necessary to meet the reductions required under both the House's and the Governor's proposals.

To reiterate, across-the-board reductions or “belt tightening” efforts will not come close to achieving the deep service cuts that must be identified to balance the tax-supported budgets. We will need to focus on elimination of entire programs and direct services in order to provide adequate funding to critical activities and services. We are fortunate to have an established results-oriented governing and resource allocation process to guide us through these decisions so that we can ensure, to the extent possible, we are addressing the critical needs of our constituents. In addition to those reductions listed above, we will likely be forced to consider reducing existing bus service, eliminating the majority of our social service programming, and closing most of our parks. We will have to be very careful not to cut internal support functions too deeply as that will further adversely impact remaining direct services we will still provide. I would also strongly recommend that all of our collective bargaining agreement be reopened as this clearly would meet the test of a fiscal emergency.

We must also be careful not to adversely impact internal controls and checks and balances we have instituted in recent years. I strongly oppose reducing the reserves we have spent several years accumulating; reserves which will be even more critical to have in place as revenues continue to be squeezed. I have heard state legislators suggest local and county governments access their reserves to help balance budgets if these rollback proposals are implemented. I cannot think of a less desirable alternative than for us to use emergency reserves, which are a one-time revenue source, to help fund recurring operational needs.

I do not deny that property tax reforms are needed. I have constantly stressed that solutions must be surgical and address the problems of targeted populations and taxpayers most impacted: small businesses, first time homebuyers, empty-nesters, renters. We have reached a critical juncture in the deliberations of the Legislature. If the state legislative conference process is unsuccessful this week, a special session will likely be called for next month in order to come to a conclusion regarding property tax reform. It is very important that our delegation and the rest of the legislature understand the impact their decisions will have on local government. This is very serious – the path being taken is extremely dangerous to our ability to provide essential services and the outcomes could be potentially catastrophic to County and local governments, which are very often the service providers of last resort to those most in need.

Cc: Honorable Bruno A. Barreiro, Chairman
And Members, Board of County Commissioners
Honorable Harvey Ruvin, Clerk, Circuit and County Courts
Honorable Joseph P. Farina, Chief Judge, Eleventh Judicial Circuit
Honorable Katherine Fernandez-Rundle, State Attorney
Honorable Bennett Brummer, Public Defender
Murray A. Greenberg, County Attorney
Assistant County Managers
Department Directors
Marvin O'Quinn, President, Public Health Trust
Charles Anderson, Commission Auditor
OSBM Budget Staff